

Message Text

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TO AMEMBASSY BANGKOK IMMEDIATE

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E.O. 11652: N/A

TAGS: EFIN

SUBJECT: BENNETT TELEPHONE CALL

FOR CASEY FROM SAUER

REF: JAKARTA 10913

1. WE HAVE ANALYZED AVAILABLE EXIM SUPPORTED PROJECT DATA
ALONG LINES REQUESTED WITH FOLLOWING RESULTS:

2. EFFECTS OF VARIOUS CUT-OFFS.

A) THE TABLE BELOW SHOWS IMPLICATIONS OF \$25, \$50 AND \$75
MILLION EXPORT VALUE CUT-OFFS FOR PROJECTS EXIM AUTHORIZED IN
FY 71 THROUGH 74 WITH TERMS OF MORE THAN 10 YEARS.

VALUE	STEEL	POWER	OTHER	TOTAL
(7 CASES)	(13 CASES)	(14 CASES)	(34 CASES)	

\$75 MIL & UP 1	2	5	8	
\$50 MIL & UP 3	4	7	14	
\$25 MIL & UP 5	8	9	22	

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THUS EVEN A \$25 MILLION CUT-OFF WOULD HAVE PRECLUDED EXIM FROM

LENDING OVER A 10-YEAR TERM ON 12 OF THE 34 CASES. AMONG THE CASES EXCLUDED WOULD HAVE BEEN STEEL MILLS IN BRAZIL AND ARGENTINA, POWER FACILITIES IN COLOMBIA AND JAMAICA AND SEVERAL MISCELLANEOUS PROJECTS SUCH AS COMPLETION OF INTER-AMERICAN HIGHWAY IN PANAMA.

B) FREQUENCY DISTRIBUTION OF PENDING CASES (EXCLUDING AIRCRAFT, NUCLEAR POWER AND DRILLING EQUIPMENT) WHICH GIVES SAMPLING OF RANGE OF VALUES OF PROJECTS LYING AHEAD, IS AS FOLLOWS: (NOTE-TERMS HAVE NOT BEEN DETERMINED FOR THESE PROJECTS)

VALUE	POWER (46 CASES)	OTHER (182 CASES)	TOTAL (228 CASES)
\$75 MIL & UP	2	11	13
\$50 MIL & UP	4	30	34
\$25 MIL & UP	8	48	56

CLEARLY, U.S. EXPORT INTERESTS ARE BEST SERVED BY THE LOWEST POSSIBLE CUT-OFF, IN THIS CASE \$25 MILLION.

3. OUR VIEWS ON CRITERIA OTHER THAN IMPORT VALUE FOLLOW:

A) EXIM (NATIONAL LOAN) VALUE.

BECAUSE WE LEVERAGE WITH PRIVATE FINANCING TO GREATER EXTENT THAN OTHER COUNTRIES DO THIS WOULD RAISE RATHER THAN LOWER THE VALUE OF PROJECTS TO WHICH WE COULD APPLY THE EXCEPTION, AND SIMULTANEOUSLY REDUCE THEIR NUMBER. THIS WOULD OFFER COMPETITORS GREATER ABILITY TO EXTEND LONGER TERM THAN EXIM WOULD HAVE. FOR EXAMPLE, WITH A \$25 MILLION LIMIT, EUROPEANS COULD FINANCE A \$30 MILLION PROJECT ON 12-YEAR TERMS BECAUSE THEIR LOAN VALUE WOULD BE \$25.5 MILLION (85 PERCENT OF 30), BUT EXIM COULD ONLY OFFER A 10-YEAR TERM BECAUSE EVEN 45 PERCENT OF \$30 MILLION DOES NOT EXCEED \$25 MILLION.

B) NATIONAL CONTENT VALUE.

USE OF U.S. CONTENT WOULD GIVE A MARGINAL ADVANTAGE TO U.S. SUPPLIERS BUT WE DOUBT THAT THIS WOULD OFFSET THE DIFFICULTY IT UNCLASSIFIED

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WOULD CAUSE THE EUROPEANS.

C) PROJECT COST VALUE.

AS YOU NOTE PROJECT COST CONCEPT WOULD ALLOW A LARGER CUT-OFF FIGURE BUT ALSO WOULD GIVE LOCAL COST CONTENT (LARGELY LABOR) MUCH GREATER WEIGHT IN CONSIDERATION AND COULD ENDANGER PROJECTS WITH LOW LOCAL COST CONTENT WHICH GENERALLY ARE PROJECTS OF

PRINCIPAL INTEREST TO US. IN SUM, BOTH U.S. PRACTICAL AND
TACTICAL INTERESTS WOULD SEEM BEST SERVED BY USING TOTAL IMPORT
VALUE CONCEPT AS STATED IN TREASURY DRAFT IF, CUT-OFF FIGURE IS
TO BE INCLUDED IN CRITERION FOR EXCEPTIONS. INGERSOLL

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